GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:94
ANSWERED ON:27.07.2001
PROFIT OF MULTINATIONAL COMPANIES
HARIBHAI PARTHIBHAI CHAUDHARY

Will the Minister of FINANCE be pleased to state:

(a) whether there is any mechanism with the Government to ascertain the extent of profit earned by the multinational companies operating in the country;

(b) if so, the details thereof;

(c) if not, the reasons for the same;

(d) whether the Government are losing revenue due to non-maintenance of details in regard to profit earned by the said companies; and

(e) if so, the reaction of the Government in this regard?

Answer

Finance Minister (Yashwant Sinha)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED IN REPLY TO LOK SABHA STARRED QUESTION NO.94 FOR ANSWER ON 27th JULY, REGARDING PROFIT OF MULTINATIONALCOMPANIES.

(a), (b) & (c): Income from business activity of a person including those having cross-border business activity, business connection and/or permanent establishment in India is computed under the Indian Income Tax Act with specific reference to the provisions of sections 28 to 44D of the Income Tax Act, 1961. There are certain special provisions in Chapters XII, XIIA, XIIB which may also be applicable in respect of these companies.

(d) & (e): The provisions of the Income tax Act, 1961 are considered adequate for determining the income for the purpose of levy of tax in India. With a view to providing a statutory framework empowering the tax authorities to determine reasonable, fair and equitable profits and tax in respect of cross border transactions, new sections 92, 92A, 92B, 92C, 92D, 92E and 92F have been inserted in the Income tax Act, 1961 through the Finance Act, 2001 providing for the transfer pricing mechanism relating to computation of income from cross border transactions.